

Fact Sheet

California Public Employees' Retirement System • 400 P Street • Sacramento, California 95814

CalPERS POSITION ON NYSE PROPOSAL

Investor Representation: The proposal Chairman Reed disclosed today does not represent a significant enough voice on the NYSE.

- CalPERS' position is to seek approximately 1/3 of the seats on the "Main Board" based on the fact that investors are the ultimate constituency of the NYSE.
- The proper place to have investor seats would be on the "Main Board" under the new proposed structure, not on the Executive Board.

Regulatory Role of the Exchange: Without greater and more meaningful investor representation, Chairman Reed's disclosure today that the regulatory function will remain within the NYSE and under the main board's oversight is not appropriate.

- The regulatory role is a focal point that the NYSE has lost significant credibility in its ability to oversee.
- Without greater investor representation, CalPERS views the SEC raising the possibility of removing the self regulatory function from the NYSE as a positive and continues to support this idea in light of Chairman Reed's recent proposal.

Investor Representation on the Main Board: The proper place to have investors seats would be on the main board, not on the Executive Board as proposed by Chairman Reed.

- While the level of independence is appropriately addressed in Chairman Reed's proposal, the most significant weakness lies in the lack of meaningful investor representation on the main board.
- While at least two members of the main board are affiliated with investment organizations, there does not appear to be any guarantee that investors would have dedicated positions.
- CalPERS would like to see a mechanism that will permit investors to have a role in nominations.

Proposed Dual Board Structure: The proposed dual board structure consisting of a main board and Executive Board is unnecessarily complex; offering no advantages over a more traditional structure that would utilize independent key committees.

- This structure is not utilized in the United States, and represents a poor example to listed companies.
- The dual board structure may have the effect of making the Chairman too powerful in that this person will be the only fulltime link between the two boards.
- The size of the two boards (main and executive) combined would rival the size of the existing NYSE Board.

Proposed Independent Key Committee Structure: The lack of investor representation on the main board is additionally reflective in the proposed key committee makeup.

- The proposed Audit, Compensation and Nominating Committee structure will be composed of membership from the main board.
- Without sufficient investor representation on the main board, the key committee structure that results would be sub-optimal, despite the “independence” that would result from the proposal.

Proposed Flexibility in Separation of Chairman and CEO Positions: The Chairman’s proposal to be the only member to sit on both boards increases the importance of having a separate Chairman and CEO.

- CalPERS is a strong advocate of the board of directors having separate positions of Chairman and CEO.